

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1-2
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS - COMPLIANCE	
Medical Transportation	3
Knowledge of IRS Security Procedures	3-4
RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS	
Back Up Designated Staff Person	4
MA-010 Reconciliation	4-5
MA-010 Reconciliation – Supplemental Payments	5

INTRODUCTION

The Office of Internal Audit performed an audit of Baraga County FIA for the period January 1, 1998 through September 23, 1999. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Baraga County FIA had 15 full time equated positions (FTE's) at the time of our review. Baraga County FIA provided assistance to an average 571 recipients per month during FY 1998, with total assistance payments of \$735,824 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Baraga County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Procurement Card
Safe & Controlled Documents	IRS Information Security
Modified Accrual Balance Sheet	Food Stamp Inventory
CIS Input/Output	Medical Transportation
Accounts Receivable	

In addition, at the Baraga County FIA Director's request, we performed a 100% review of receipts and disbursements for the period January 1 through September 30, 1998 to determine

if all transactions were appropriate and properly documented. The Baraga County FIA Director requested this review after he discovered that the Office Manager, Bookkeeper, and Information Technology Technician (ITT) had been sharing their passwords during this period. The three individuals who had shared passwords were no longer working at Baraga County FIA, and the local office director had instructed the individuals currently in these positions that passwords should not be shared.

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Baraga County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

In addition, our review of receipts and disbursements for the period January 1 through September 30, 1998 disclosed that there were 52 transactions on the Transaction Control Listing (MA-010) where the Office Manager's and ITT's operator ID's were used to process the transactions. The screen dump of the transactions that was filed in the casefiles showed that the transactions were processed on the bookkeeper's computer. However, our review of each of the transactions disclosed no instances of improprieties in these transactions.

LOCAL OFFICE RESPONSE

The management of Baraga County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated November 15, 1999 that they are in general agreement with the report, and that corrective action is being taken for all items in the report.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that the Baraga County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Medical Transportation

1. Baraga County FIA did not have a completed Medical Needs Authorization (FIA-54A) on file for 1 out of 6 cases we tested. Program Administrative Manual Item 825 and Accounting Manual Item 416 required that properly completed FIA-54A's be on file to document the need for medical transportation. Proper completion of all required information on the FIA-54A helps to ensure that medical transportation payments are only authorized when there is a documented medical need.

WE RECOMMEND that Baraga County FIA ensure that complete, up-to-date Medical Needs Authorizations are on file to document the need for all medical transportation payments.

Knowledge of IRS Security Procedures

2. Mail room staff, Eligibility Specialists (ES), and Family Independence Specialists (FIS) at Baraga County FIA were unaware of the proper procedures to follow for confidential information received from the Internal Revenue Service (IRS.) Family Independence Agency L-Letter 94-1 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that Baraga County FIA familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Baraga County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

Backup Designated Staff Person

3. Baraga County FIA did not have a backup Designated Staff Person (DSP) for IRS Security. The local office should have a backup DSP in case information is received on a day when the DSP is out of the office.

WE RECOMMEND that Baraga County FIA appoint a backup DSP for IRS information security.

MA-010 Reconciliation

4. The Transaction Control Listing (MA-010) for July and August, 1999 were not being reconciled for ampersand cases or case opening and reopenings. The Primary Internal Control Criteria for FIA Local/District Office Operations recommends that the MA-010 reports be reconciled by someone other than the person who initiated the transaction on a timely basis.

WE RECOMMEND that the individual responsible for the MA-010 reconciliation, reconcile these documents on a timely basis.

MA-010 Reconciliation - Supplemental Payments

5. Baraga County FIA did not reconcile the Supplemental Payments (FIA-13) listed on the Transaction Control Listing (MA-010) to the Supplemental Payment Authorization and

other supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling 100% of the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that Baraga County FIA reconcile 100% of the Supplemental Payments on the MA-010 to the FIA-13's and other supporting documentation.